

**THE CORPORATION OF
THE TOWN OF KINGSVILLE**

Financial Statements
December 31, 2018

Draft for discussion purposes only

**THE CORPORATION OF
THE TOWN OF KINGSVILLE**
Table of Contents

| | <u>Page</u> |
|--|--------------------|
| Independent Auditor's Report | 1-2 |
| Consolidated Statement of Financial Position | 3 |
| Consolidated Statement of Financial Operations and Accumulated Surplus | 4 |
| Consolidated Statement of Changes in Net Financial Assets | 5 |
| Consolidated Statement of Cash Flows | 6 |
| Notes to the Consolidated Financial Statements | 7-17 |
| Consolidated Schedule of Tangible Capital Assets | 18 |
| Consolidated Schedule of Deferred Revenue | 19 |
| Consolidated Schedule of Reserves and Reserve Funds | 20 |
| Consolidated Schedule of Accumulated Surplus | 21 |
| Consolidated Schedule of Segmented Information | 22-23 |

Draft for discussion purposes only

Independent Auditor's Report

**To the Members of Council, Inhabitants and Ratepayers
of The Corporation of the Town of Kingsville**

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Kingsville, (the Town), which comprise the Consolidated Statement of Financial Position as at December 31, 2018, and the Consolidated Statement of Financial Operations and Accumulated Surplus, Consolidated Statement of Changes in Net Financial Assets and Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and its results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Essex, Ontario
May 13, 2019

THE COPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Position
as at December 31, 2018

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Notes 3 & 9) | \$ 24,888,661 | \$ 22,076,583 |
| Taxes and grants-in-lieu receivable | 1,289,369 | 1,315,970 |
| Trade and other receivables (Note 3) | 4,493,730 | 3,414,852 |
| Drainage costs recoverable (Note 6) | 1,691,602 | 2,086,735 |
| Drainage debt receivable (Note 6) | 643,770 | 754,963 |
| Land held for sale | 1,025,110 | - |
| Long-term investment (Note 3) | 4,135,842 | 4,033,000 |
| | <u>38,168,084</u> | <u>33,682,103</u> |
| FINANCIAL LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 3) | 7,403,048 | 5,874,689 |
| Accrued interest | 62,733 | 67,026 |
| Municipal debt (Note 3 & 4) | 14,034,173 | 15,312,713 |
| Employee future benefits (Note 7) | 1,184,013 | 1,145,500 |
| Deferred revenue (Schedule 2) | 3,183,846 | 1,982,734 |
| | <u>25,867,813</u> | <u>24,382,662</u> |
| NET FINANCIAL ASSETS | <u>12,300,271</u> | <u>9,299,441</u> |
| Contractual obligations (Note 14) | | |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 3, Schedule 1) | 117,079,809 | 117,649,509 |
| Prepaid expenses | 103,480 | 63,856 |
| | <u>117,183,289</u> | <u>117,713,365</u> |
| ACCUMULATED SURPLUS | <u>\$ 129,483,560</u> | <u>\$ 127,012,806</u> |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Financial Operations and Accumulated Surplus
for the year ended December 31, 2018

| | <u>2018 Budget</u> (Note 11) | <u>2018</u> | <u>2017</u> |
|--|---------------------------------|-----------------------|-----------------------|
| REVENUES | | | |
| Net taxation/user charges | \$ 29,195,207 | \$ 25,798,122 | \$ 24,016,224 |
| Government transfers | 1,105,513 | 1,102,017 | 1,255,796 |
| Other | 2,001,448 | 2,533,304 | 2,737,939 |
| TOTAL REVENUES | 32,302,168 | 29,433,443 | 28,009,959 |
| EXPENSES | | | |
| General government | 4,026,957 | 3,801,955 | 3,814,658 |
| Protection to persons and property | 5,538,262 | 5,319,577 | 5,228,052 |
| Transportation services | 7,967,750 | 7,184,788 | 8,137,467 |
| Environmental services | 10,368,077 | 8,738,442 | 9,089,868 |
| Health services | 151,930 | 97,385 | 101,975 |
| Recreation and culture | 2,944,419 | 2,630,840 | 2,411,191 |
| Planning and development | 443,576 | 416,889 | 390,016 |
| TOTAL EXPENSES | 31,440,970 | 28,189,876 | 29,173,227 |
| NET REVENUES (EXPENSES) | 861,198 | 1,243,567 | (1,163,268) |
| OTHER | | | |
| Deferred revenue earned | 590,600 | 112,789 | 289,338 |
| Government transfers received for capital projects | 2,072,720 | 2,503,607 | 2,363,282 |
| Transfers to Upper Tier Municipality (Note 15) | (997,626) | (2,522,596) | - |
| Employee future benefits | - | (38,513) | 972,650 |
| Gain on investment in UWSS (Note 3) | - | - | 2,356,277 |
| Contributed tangible capital assets | - | 1,133,637 | 130,900 |
| Gain (loss) on disposal of tangible capital assets | - | 38,263 | (217,012) |
| | 1,665,694 | 1,227,187 | 5,895,435 |
| ANNUAL SURPLUS | 2,526,892 | 2,470,754 | 4,732,167 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 127,012,806 | 127,012,806 | 122,280,639 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 129,539,698 | \$ 129,483,560 | \$ 127,012,806 |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Changes in Net Financial Assets
for the year ended December 31, 2018

| | <u>2018 Budget</u> (Note 11) | | <u>2018</u> | | <u>2017</u> |
|--|---------------------------------|-----------|-------------------|-----------|------------------|
| Annual Surplus | \$ 2,526,892 | \$ | 2,470,754 | \$ | 4,732,167 |
| Amortization of tangible capital assets | 8,484,740 | | 7,729,692 | | 8,484,740 |
| Acquisition of tangible capital assets | (12,243,758) | | (7,183,071) | | (7,411,307) |
| Disposals of tangible capital assets | - | | 23,079 | | 302,091 |
| Acquisition of prepaid expense | - | | (103,480) | | (63,856) |
| Consumption of prepaid expense | - | | 63,856 | | 93,403 |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (1,232,126) | | 3,000,830 | | 6,137,238 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 9,299,441 | | 9,299,441 | | 3,162,203 |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 8,067,315 | \$ | 12,300,271 | \$ | 9,299,441 |

Draft for discussion purposes only

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Statement of Cash Flows
for the year ended December 31, 2018

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Annual Surplus | \$ 2,470,754 | \$ 4,732,167 |
| Sources (Uses) | | |
| Taxes and grants-in-lieu receivable | 26,601 | 191,984 |
| Trade and other receivables | (1,078,878) | (385,434) |
| Drainage costs and debt receivable | 506,326 | 121,499 |
| Assets held for sale | (1,025,110) | - |
| Prepaid expenses | (39,624) | 29,547 |
| Accounts payable and accrued liabilities | 1,528,359 | 1,478,162 |
| Deferred revenue | 1,201,112 | 1,024,929 |
| Accrued interest | (4,293) | (8,248) |
| Increase (decrease) in employee future benefits | 38,513 | (972,650) |
| | <u>3,623,760</u> | <u>6,211,956</u> |
| INVESTING ACTIVITIES | | |
| Increase in long-term investments | (102,842) | (4,033,000) |
| | <u>(102,842)</u> | <u>(4,033,000)</u> |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (7,183,071) | (7,411,307) |
| Amortization of tangible capital assets | 7,729,692 | 8,484,740 |
| (Gain) loss on disposal of tangible capital assets | (38,263) | 217,012 |
| Proceeds on disposal of tangible capital assets | 61,342 | 85,079 |
| | <u>569,700</u> | <u>1,375,524</u> |
| FINANCING ACTIVITIES | | |
| Long-term debt issued | 47,300 | 800,304 |
| Long-term debt repaid | (1,325,840) | (1,515,968) |
| | <u>(1,278,540)</u> | <u>(715,664)</u> |
| NET INCREASE IN CASH | 2,812,078 | 2,838,816 |
| CASH, BEGINNING OF YEAR | 22,076,583 | 19,237,767 |
| CASH, END OF YEAR | \$ 24,888,661 | \$ 22,076,583 |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

1. Significant Accounting Policies

(a) Management Responsibility

The consolidated financial statements of the Corporation of the Town of Kingsville (the "Town") are the responsibility of management. They have been prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ as additional information becomes available in the future.

(b) Basis of Consolidation

(i) Consolidated Entities

The consolidated financial statements reflect the financial assets, liabilities, revenues, expenses, reserves and changes in investment in tangible capital assets of the Town and includes the activities of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and are owned or controlled by the Town.

Interdepartmental and inter-organizational transactions and balances have been eliminated.

The Town's proportionate share in the Union Water Supply System is accounted for on a proportionate consolidation basis, consistent with the generally accepted accounting treatment for government units.

(ii) Accounting for Region (County) and School Board Transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the School Boards, and the County of Essex are not reflected in the municipal fund balances of these financial statements. Taxation raised by the municipality on their behalf is reflected as a deduction from total taxation on the Consolidated Statement of Financial Operations. Amounts due from/to the County of Essex and School Boards are included in trade and other receivables/accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

(iii) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Financial Statements.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

(c) Basis of Accounting

(i) Accrual Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

(ii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

(ii.1) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land - Not amortized
Land Improvements - 10 to 30 years
Buildings & Improvements - 10 to 40 years
Information Technology - 4 years
Vehicles/Machinery & Equipment - 4 to 25 years
Furniture and Fixtures - 10 to 15 years
Infrastructure - 20 to 50 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has a capitalization threshold of \$5,000 - \$50,000 depending on the asset, so that individual tangible capital assets of lesser value are expensed, unless they are land, construction in progress, or pooled because, collectively, they have significant value, or for operational reasons. Examples of asset pools are desktop computers and computer laptops.

(ii.2) Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

(ii.3) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(ii.4) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

(iii) Deferred Revenue

Revenue restricted by legislating, regulation or agreement and is not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specific purpose.

(iv) Employee Future Benefits

The Town has adopted the accrual method for employee future benefits as required by the Chartered Professional Accountants of Canada. The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions with respect to mortality and termination costs, retirement age and expected inflation costs associated with employee benefit costs.

(v) Use of Estimates

The preparation of financial statements in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

(vi) Taxes receivable and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services and amounts the Town is required to collect on behalf of the Province of Ontario in respect to education taxes. A normal part of the assessment process is the issuance of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town revenues are recorded at the time tax billings are issued. Assessment and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded based upon management's estimate of the outcome taking into consideration historical trends. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied. Tax revenue is recorded net of reductions. Taxes receivable are reported net of an allowance for doubtful accounts.

(vii) Government transfers

Government transfers, which include legislative grants, are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. When transfer stipulations give rise to a liability, government transfers are recognized as deferred revenue and recognized as revenue when the stipulations are settled.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

2. Operation of School Boards and the County of Essex

During the year, the following revenue was raised and remitted to the school boards and the County of Essex.

| | <u>2018</u> | <u>2017</u> |
|---------------|----------------------|----------------------|
| School Boards | \$ 6,261,673 | \$ 6,123,586 |
| County | <u>11,466,997</u> | <u>10,563,840</u> |
| | <u>\$ 17,728,670</u> | <u>\$ 16,687,426</u> |

3. Equity in the Union Water Supply System

Effective January 2, 2001, the assets, liabilities, rights and obligations of the Union Water Supply System (UWSS) were transferred from Ontario Clean Water Agency to the joint ownership of the system's participating municipalities pursuant to an order issued by the Minister of the Environment under the Municipal Water and Sewage Act, 1997.

The equity of interest for each municipality is determined every 4 years according to their proportional water consumption from the system. The ownership interests were last set January 1, 2017, where it was increased to 40.33%. The change in Kingsville's equity share during 2017 resulted in a gain of \$2,356,277.

The Town's equity in the UWSS is made up as follows:

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| Cash and cash equivalents | \$ 3,443,217 | \$ 3,381,487 |
| Trade and other receivables | 511,890 | 373,995 |
| Long-term investment | 4,135,842 | 4,033,000 |
| Accounts payable and accrued liabilities | (179,730) | (459,371) |
| Long-term debt | <u>(5,184,234)</u> | <u>(5,548,015)</u> |
| Net Financial Assets | 2,726,985 | 1,781,096 |
| Tangible capital assets | <u>16,392,299</u> | <u>16,198,048</u> |
| Accumulated surplus | <u>\$ 19,119,284</u> | <u>\$ 17,979,144</u> |
| Equity in Reserve and Reserve Funds | <u>\$ 7,911,219</u> | <u>\$ 7,329,112</u> |

The Town's share of any operating surplus or deficit from UWSS is included in Environmental Services expenses on the Consolidated Statement of Financial Operations and Accumulated Surplus. Kingsville's share of the UWSS current year operating surplus was \$1,140,140 (2017 - \$701,206).

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

4. Municipal Debt

(a) The balance of net long-term liabilities reported on the "Consolidated Statement of Financial Position" is made up of the following:

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| <i>Property Tax Supported</i> | | |
| i) OSIFA Loan - repayable in semi-annual instalments of \$49,389 plus interest at 4.72%, due September, 2027 | \$ 839,610 | \$ 938,388 |
| ii) OILC Loan - repayable in semi-annual instalments of \$119,772 including interest at 3.97%, due December, 2033 | 2,688,012 | 2,816,989 |
| iii) OILC Loan - repayable in semi-annual instalments of \$91,043 including interest at 2.47%, due November, 2025 | 1,163,924 | 1,314,466 |
| iv) OILC Loan - repayable in semi-annual instalments of \$52,753 including interest at 3.34%, due November, 2035 | 1,366,109 | 1,418,716 |
| v) OILC Loan - repayable in semi-annual instalments of \$131,283 including interest at 2.56%, due November, 2026 | 1,888,522 | 2,098,697 |
| <i>Benefiting Property Owners</i> | | |
| i) Sewer Separation Program Debentures - repayable in annual instalments including interest ranging from 4.0% to 5.0%, due in various amounts from 2019 to 2022 | 461,071 | 631,964 |
| ii) Drain Debentures - repayable in annual instalments including interest ranging from 2.25% to 5.0%, due in various amounts from 2019 to 2028 | 643,770 | 754,963 |
| iii) Sanitary Sewer Debentures - repayable in annual instalments including interest ranging from 2.83% to 5.0%, due in various amounts from 2019 to 2025 | 1,053,868 | 1,540,739 |
| iv) Watermain Debentures - repayable in annual instalments including interest at 5%, repaid during the year | - | 17,372 |
| v) Tile Loans - repayable in annual instalments including interest ranging from 6.0% to 6.8%, due in various amounts from 2019 to 2028 | <u>161,126</u> | <u>131,224</u> |
| Total long-term liabilities incurred by the Municipality and those incurred on behalf of benefiting land owners | 10,260,012 | 11,663,518 |
| Less: Internally financed debt | <u>(1,410,073)</u> | <u>(1,898,820)</u> |
| | 8,849,939 | 9,764,698 |
| Share of Union Water System Obligations | <u>5,184,234</u> | <u>5,548,015</u> |
| | <u>\$ 14,034,173</u> | <u>\$ 15,312,713</u> |

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Financial Statements
for the year ended December 31, 2018

4. Municipal Debt (continued)

(b) Principal payments are as follows:

| | |
|-------------|----------------------|
| 2019 | \$ 1,340,893 |
| 2020 | 1,364,650 |
| 2021 | 1,334,018 |
| 2022 | 1,419,884 |
| 2023 | 1,458,783 |
| 2024 onward | 7,115,945 |
| | <u>\$ 14,034,173</u> |

(c) The long-term liabilities in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board (or approval by private legislation) for those approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

(d) Total interest charges for the year for net long-term liabilities which are reported on the Consolidated Statement of Financial Operations, are as follows:

| | <u>2018</u> | <u>2017</u> |
|----------|-------------|--------------|
| Interest | \$ 963,030 | \$ 1,053,205 |

5. Trust Funds

The municipality administers a Perpetual Care Cemetery Trust Fund which amounts to \$1,162,630 (2017 - \$1,136,887). The assets and liabilities of this trust have not been included in the "Consolidated Statement of Financial Position" nor have the operations been included in the "Consolidated Statement of Financial

6. Drainage Costs Recoverable and Drainage Debt Receivable

The Town incurs costs to maintain and construct municipal drains which are recoverable from the benefitting landowners. In accordance with the Drainage Act these costs can accumulate for a five year period prior to being invoiced. Drainage costs recoverable represents accumulated drainage costs which have not yet been invoiced to the benefitting landowners. Drainage debt receivable represents costs that have been billed to the benefitting landowners, financed on taxes and are in the collection stage. The Town issues a debenture by-law for all financed projects which outlines the terms and interest rates. There are approximately 350 municipal drains in the Town of Kingsville.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

7. Employee Future Benefits

The municipality pays certain benefits on behalf of its retired employees. Information about the Town's defined benefit plans is as follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Accrued benefit as at January 1 | \$ 1,145,500 | \$ 2,118,150 |
| Service cost | 60,200 | 140,215 |
| Interest cost | 41,538 | 78,429 |
| Benefit paid for year | (37,813) | (35,078) |
| Actuarial gain | <u>(25,412)</u> | <u>(1,156,216)</u> |
| Projected accrued benefit obligation at December 31 | \$ <u>1,184,013</u> | \$ <u>1,145,500</u> |

All actuarial gains and losses are fully recognized in the year they are identified.

An actuarial valuation was performed as of December 31, 2017. The main actuarial assumptions employed in the valuations are as follows:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------|-----------------------------------|--------------------------------------|
| Discount rate | 3.5% | 3.5% |
| Salary scale | 3.0% | 3.0% |
| Drug expense trend | 7% in 2018 to 4% over 20 years | 8% in 2017 to 4% over 10 years |
| Dental expense trend | 3.5% | 4.0% |
| Other medical expense trend | 4.0% | 4.5% |

8. Segmented Information

The Town provides a wide range of services to its citizens. On Schedule 5, consolidated revenues and expenses have been presented on a segmented basis. Municipal services have been segmented by grouping activities with similar service objectives. Revenue directly related to each service has been allocated to its respective segment. Municipal taxation revenue has been allocated based on the percentage of total budgeted expenditures. The segments are defined as follows:

General Government

General government consists of governance, corporate management and program support. It includes the offices of Council, Chief Administrative Officer, Information Technology, Financial and Clerk Services.

Protection to Persons and Property

Protection to persons and property includes Fire and Police services, Building permitting & inspection and by-law enforcement, and Animal control.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

Transportation

Transportation services refers to the operations of the Public Works Department which is responsible for road maintenance, winter control and street lighting.

Environmental

Environmental services includes the distribution and treatment of water, the collection and treatment of waste water and storm water, and the collection and disposal of garbage.

Health Services

Health Services refers to cemetery operations.

Recreation & Culture

Recreation & Culture services refers to the operations of municipally owned recreational facilities, parks, arena, marina and community centres. It also includes the delivery of recreational and cultural programming.

Planning & Development

Planning & Development refers to the operations of the planning department which facilitates the orderly growth of the Town in accordance with the official plan.

9. Bank Overdraft

The Town has an authorized overdraft limit of \$2,000,000 bearing interest at prime with TD Canada Trust. At December 31, 2018, the Town had \$2,000,000 (2017 - \$2,000,000) in unused credit

10. Reserve, Reserve Funds and Deferred Revenue

The balance of reserve, reserve funds and deferred revenue is made up of the following:

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------------|-----------------------------|
| Total reserves and reserve funds (Schedule 3) | \$ 24,517,675 | \$ 23,042,213 |
| Deferred revenue portion of reserve funds set aside for specific purposes by legislation, regulation or agreement (Schedule 2) | <u>3,183,846</u> | <u>1,982,734</u> |
| | <u><u>\$ 27,701,521</u></u> | <u><u>\$ 25,024,947</u></u> |

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

11. Budget Amounts

The 2018 Financial Budget was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. Further, the budget includes all tangible capital expenditures rather than amortization expense. For the purpose of these financial statements, the budget figures have been modified as follows:

Consolidated Statement of Financial Activities
For the year ended December 31, 2018

| | 2018 Budget | Change | Restated 2018 Budget |
|--|-------------------|--------------------|-------------------------|
| Revenue | \$ 40,214,218 | | 40,214,218 |
| Less: Contributions from reserves | | (5,590,420) | (5,590,420) |
| Less: Inter-departmental revenues | | (439,035) | (439,035) |
| Plus: Local Improvements | | 780,725 | 780,725 |
| | <u>40,214,218</u> | <u>(5,248,730)</u> | <u>34,965,488</u> |
| Expenses | | | |
| Total Expenditures as per budget | 40,214,218 | | 40,214,218 |
| Less: Contributions to reserves | | (3,039,772) | (3,039,772) |
| Less: Capital expenditures, net of transfers | | (12,243,758) | (12,243,758) |
| Plus: Amortization | | 8,484,740 | 8,484,740 |
| Plus: Interest on non-tax funded debt | | 109,282 | 109,282 |
| Less: Repayments of tax funded debt | | (647,079) | (647,079) |
| Less: Inter-departmental expenses | | (439,035) | (439,035) |
| | <u>40,214,218</u> | <u>(7,775,622)</u> | <u>32,438,596</u> |
| Annual Surplus (Deficit) | | | 2,526,892 |
| Accumulated surplus, beginning of year | | | 127,012,806 |
| Accumulated surplus, end of year | | | \$ 129,539,698 |

12. Pension Plan

The Town belongs to the Ontario Municipal Employee Retirement Fund (OMERS) which is a multi-employer plan on behalf of 59 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on their length of service and rates of pay. The plan is funded through equal contributions from the employer and its member employees.

The amount contributed by the Municipality in 2018 was \$427,659 (2017 - \$395,437). At December 31, 2018 the OMERS plan was in a deficit position, funded at 96% (2017 - 94%). Contribution rates to the plan are determined by OMERS, based on the funding status of the plan, investment projections and other actuarial assumptions.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Notes to the Consolidated Financial Statements
for the year ended December 31, 2018

13. Public Sector Salary Disclosure Act

The Public Sector Salary Disclosure Act requires all municipalities to disclose, which, if any, employees or officers received remuneration totaling more than \$100,000 during the year. During 2018, the following employees met this requirement:

| Position | Name | Salary Paid | Taxable Benefits |
|-----------------------------------|--------------------|-------------|------------------|
| Chief Administrative Officer | M. Van Mierlo-West | \$ 150,822 | \$ 1,147 |
| Director of Corporate Services | J. Astrologo | 133,611 | 1,044 |
| Director of Municipal Services | A. Plancke | 126,579 | 1,011 |
| Fire Chief | C. Parsons | 117,139 | 2,450 |
| Director of Financial Services | R. McLeod | 117,912 | 951 |
| Manager of Information Technology | T. Iacobelli | 117,139 | 955 |
| Manager of Building & By-law | P. Valore | 117,138 | 955 |
| Manager of Planning | R. Brown | 117,138 | 945 |
| Manager of Municipal Services | T. Del Greco | 102,992 | 1,775 |
| Deputy Fire Chief | J. Dean | 102,992 | 863 |

14. Contractual Obligations

Policing services for the Town are currently provided by the Ontario Provincial Police (OPP). The current agreement expired December 31, 2018. Subsequent to year end, a new agreement was signed which expires December 31, 2021. Under the new agreement, policing costs are determined annually. In 2018, the OPP contract approximated \$3.0 million (2017 - \$3.1 million).

The Town has entered an agreement with the Ontario Clean Water Agency (OCWA), to operate their sewage facilities through May 31, 2025. Under this agreement, the Town retains responsibility for all operating and capital costs associated with these facilities. Included in the consolidated statement of financial activities are charges from OCWA of approximately \$1,122,000 (2017 - \$1,089,000).

The Town has entered an agreement for waste collection services which expires on December 31, 2020. In 2018, the cost of collection services provided under this agreement was \$525,000 (2017 - \$512,000).

15. Transfers to Upper Tier Municipality

During the year, the Town transferred funds to the County of Essex for the construction of various County Wide Active Transportation System (CWATS) projects built within the Town. CWATS projects are funded 40% by the County and 60% by the lower tier municipalities.

16. Comparative Amounts

Certain comparative balances have been reclassified to conform with the current year's presentation.

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Tangible Capital Assets
Categorized by Asset Type
For the Year Ended December 31, 2018

Schedule 1

| | GENERAL | | | | | INFRASTRUCTURE | | | TOTALS | |
|---------------------------------------|---------------------|--------------------------|------------------------|----------------------|---------------------------------|--------------------|----------------------------------|--------------------------|--------------------|--------------------|
| | Land & Improvements | Buildings & Improvements | Information Technology | Furniture & Fixtures | Vehicles, Machinery & Equipment | Roads & Bridges | Water, Wastewater & Storm Sewers | Construction in Progress | 2018 | 2017 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| COST | | | | | | | | | | |
| Balance, beginning of year | 4,190,195 | 15,080,671 | 364,319 | 405,508 | 9,322,459 | 129,811,929 | 104,719,981 | 3,945,746 | 262,840,808 | 256,359,545 |
| Additions during the year | 96,000 | 58,741 | 77,241 | 16,058 | 599,140 | 1,188,372 | 1,867,178 | 3,280,341 | 7,183,071 | 5,160,578 |
| Disposals during the year | - | - | - | - | (328,637) | (5,617) | - | - | (334,254) | (2,119,659) |
| Adjustments / Transfers | - | - | - | - | - | - | - | - | - | 3,440,344 |
| BALANCE, END OF YEAR | 4,286,195 | 15,139,412 | 441,560 | 421,566 | 9,592,962 | 125,994,684 | 106,587,159 | 7,226,087 | 269,689,625 | 262,840,808 |
| ACCUMULATED AMORTIZATION | | | | | | | | | | |
| Balance, beginning of year | 67,763 | 6,087,931 | 278,092 | 262,574 | 5,126,124 | 91,315,250 | 42,053,565 | - | 145,191,299 | 137,334,512 |
| Amortization during the year | 23,335 | 428,576 | 48,716 | 20,032 | 586,629 | 4,282,994 | 2,339,410 | - | 7,729,692 | 8,484,740 |
| Accumulated Amortization on disposals | - | - | - | - | (305,558) | (5,617) | - | - | (311,175) | (1,817,568) |
| Adjustments / Transfers | - | - | - | - | - | - | - | - | - | 1,189,615 |
| BALANCE, END OF YEAR | 91,098 | 6,516,507 | 326,808 | 282,606 | 5,407,195 | 95,592,627 | 44,392,975 | - | 152,609,816 | 145,191,299 |
| TANGIBLE CAPITAL ASSETS | 4,195,097 | 8,622,905 | 114,752 | 138,960 | 4,185,767 | 30,402,057 | 62,194,184 | 7,226,087 | 117,079,809 | 117,649,509 |

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Deferred Revenue
For the Year Ended December 31, 2018

Schedule 2

| | Opening | Contributions Received | Interest Earned | Deferred Revenue Allocated | Ending |
|---------------------|-----------|---------------------------|--------------------|-------------------------------|-----------|
| | \$ | \$ | | \$ | \$ |
| Development charges | 1,817,307 | 1,108,474 | 52,091 | (112,789) | 2,865,083 |
| Federal gas tax | 165,427 | 149,805 | 3,531 | - | 318,763 |
| | 1,982,734 | 1,258,279 | 55,622 | (112,789) | 3,183,846 |

Draft for discussion purposes only

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Reserves and Reserve Funds
For the Year Ended December 31, 2018

Schedule 3

| | Opening | Contributions Received | Transfer to Operations | Transfer to Capital | Ending |
|-----------------------------------|------------|------------------------|------------------------|---------------------|------------|
| | \$ | \$ | \$ | \$ | \$ |
| RESERVE FUNDS | | | | | |
| WATER CAPITAL | 59,276 | - | - | - | 59,276 |
| | 59,276 | - | - | - | 59,276 |
| RESERVES | | | | | |
| BIA | 55,014 | 10,870 | - | - | 65,884 |
| BUILDING | 387,697 | 157,947 | - | 45,351 | 500,293 |
| FACILITIES | 358,056 | 237,664 | - | 9,955 | 585,765 |
| FIRE | 14,549 | 255,000 | - | - | 279,549 |
| GENERAL | 9,266,592 | 332,808 | 21,399 | 2,280,156 | 7,297,845 |
| IT | 4,316 | - | - | - | 4,316 |
| MARINA | 16,685 | 61,120 | - | - | 77,805 |
| MIGRATION | 11,749 | - | 4,600 | - | 7,149 |
| PARKS & RECREATION | 558,790 | 382,908 | 25,000 | 276,492 | 635,206 |
| PLANNING | - | 20,000 | - | - | 20,000 |
| POLICE | 582,080 | 80,000 | - | 40,692 | 621,388 |
| PUBLIC WORKS | 1,815,867 | 1,489,401 | - | 785,002 | 2,520,266 |
| SEWER | 177,903 | 660,535 | - | 237,008 | 601,430 |
| WATER - MUNICIPAL | 2,409,527 | 1,010,116 | - | 89,359 | 3,330,284 |
| WATER - UNION WATER SUPPLY SYSTEM | 7,329,112 | 582,107 | - | - | 7,911,219 |
| | 22,982,937 | 5,290,476 | 50,999 | 3,764,015 | 24,458,399 |
| | 23,042,213 | 5,290,476 | 50,999 | 3,764,015 | 24,517,675 |

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Accumulated Surplus
as at December 31, 2018

Schedule 4

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|
| Tangible capital assets | \$ 117,079,809 | \$ 117,649,509 |
| Reserves and reserve funds | 24,517,675 | 23,042,213 |
| Operating fund surplus | 4,209,140 | 4,277,316 |
| Unfinanced capital (net of drainage costs recoverable) | (338,575) | (354,162) |
| Drainage debt receivable | 643,770 | 754,963 |
| Amounts to be Recovered: | | |
| Municipal Debt - Recoverable from future taxation | (7,940,177) | (8,587,256) |
| Municipal Debt - Recoverable from benefiting property owners | (2,319,835) | (3,076,262) |
| Union Water Supply System Debt - Recoverable from rate payers | (5,184,234) | (5,548,015) |
| Unfunded Liabilities: | | |
| Post-employment liabilities and sick leave | (1,184,013) | (1,145,500) |
| Accumulated Surplus | \$ 129,483,560 | \$ 127,012,806 |

Draft for discussion purposes only

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2018

Schedule 5

| | General Government | Protection to Persons & Property | Transportation | Environmental | Health Services | Recreation & Culture | Planning & Development | Total |
|--|-----------------------|--|-----------------------|---------------------|--------------------|-------------------------|---------------------------|---------------------|
| Revenues | | | | | | | | |
| Property taxes | \$ 2,549,533 | \$ 4,686,508 | \$ 4,812,501 | \$ 1,348,635 | \$ 63,166 | \$ 2,703,881 | \$ 287,913 | \$ 16,452,137 |
| User charges | 94,017 | 66,372 | 74,536 | 8,400,871 | 66,848 | 534,408 | 109,733 | 9,345,985 |
| Government transfers | 913,100 | 117,787 | - | 50,831 | - | - | 20,299 | 1,102,017 |
| Local improvement charges | - | - | - | 874,826 | - | - | - | 874,826 |
| Licences, permits, rents | 21,380 | 729,146 | 53,530 | - | 3,167 | 96,462 | - | 903,685 |
| Fines and penalties | 247,457 | 76,762 | - | 24,263 | - | 660 | - | 349,142 |
| Donations | - | 250 | 4,050 | - | - | 11,183 | 800 | 16,283 |
| Investment income | 389,368 | - | - | - | - | - | - | 389,368 |
| | <u>4,214,855</u> | <u>5,676,825</u> | <u>4,944,617</u> | <u>10,699,426</u> | <u>132,381</u> | <u>3,346,594</u> | <u>418,745</u> | <u>29,433,443</u> |
| Expenses | | | | | | | | |
| Wages and benefits | 2,279,212 | 1,586,264 | 883,087 | 779,722 | 40,007 | 1,205,804 | 247,038 | 7,021,134 |
| Interest on long-term debt | 26,941 | - | 210,676 | 678,513 | - | 46,900 | - | 963,030 |
| Materials | 853,869 | 289,340 | 1,573,348 | 920,787 | 11,705 | 827,796 | 117,923 | 4,594,768 |
| Contracted services | 398,860 | 3,180,925 | 3,195 | 3,969,345 | 39,803 | 68,403 | 46,211 | 7,706,742 |
| Rents & financial expenses | 112,873 | 22,057 | 9,980 | - | - | 24,241 | 5,359 | 174,510 |
| Amortization | 130,200 | 240,991 | 4,504,502 | 2,390,075 | 5,870 | 457,696 | 358 | 7,729,692 |
| | <u>3,801,955</u> | <u>5,319,577</u> | <u>7,184,788</u> | <u>8,738,442</u> | <u>97,385</u> | <u>2,630,840</u> | <u>416,889</u> | <u>28,189,876</u> |
| Other | | | | | | | | |
| Deferred revenue earned | 2,243 | - | 4,455 | 69,313 | - | 11,903 | 24,875 | 112,789 |
| Government transfers received for capita | - | - | 1,694,431 | 572,052 | - | 180,412 | 56,712 | 2,503,607 |
| Government transfers provided for capita | - | - | (2,522,596) | - | - | - | - | (2,522,596) |
| Change in employee benefits | (38,513) | - | - | - | - | - | - | (38,513) |
| Contributed tangible capital assets | - | - | 271,684 | 765,953 | - | 96,000 | - | 1,133,637 |
| Gain/(Loss) on sale of assets | - | - | 30,080 | 1,922 | - | 6,261 | - | 38,263 |
| | <u>(36,270)</u> | <u>-</u> | <u>(521,946)</u> | <u>1,409,240</u> | <u>-</u> | <u>294,576</u> | <u>81,587</u> | <u>1,227,187</u> |
| Annual Surplus (Deficit) | <u>\$ 376,630</u> | <u>\$ 357,248</u> | <u>\$ (2,762,117)</u> | <u>\$ 3,370,224</u> | <u>\$ 34,996</u> | <u>\$ 1,010,330</u> | <u>\$ 83,443</u> | <u>\$ 2,470,754</u> |

THE CORPORATION OF THE TOWN OF KINGSVILLE
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2017

Schedule 5

| | General Government | Protection to Persons & Property | Transportation | Environmental | Health Services | Recreation & Culture | Planning & Development | Total |
|---|-----------------------|--|-----------------------|---------------------|--------------------|-------------------------|---------------------------|---------------------|
| Revenues | | | | | | | | |
| Property taxes | \$ 2,649,335 | \$ 5,501,934 | \$ 2,972,218 | \$ 1,683,338 | \$ 95,248 | \$ 1,918,746 | \$ 269,124 | \$ 15,089,943 |
| Government transfers | 1,074,200 | 120,019 | 43,578 | - | - | - | 18,000 | 1,255,797 |
| User charges | 154,803 | 77,968 | 21,418 | 8,003,710 | 66,944 | 530,532 | 70,906 | 8,926,281 |
| Local improvement charges | - | - | - | 1,209,181 | - | - | - | 1,209,181 |
| Licences, permits, rents | 23,021 | 686,206 | 55,710 | - | 3,308 | 95,560 | - | 863,805 |
| Fines and penalties | 270,253 | 77,449 | - | 22,765 | - | 1,114 | - | 371,581 |
| Donations | - | 250 | - | - | - | 20,592 | 2,800 | 23,642 |
| Investment income | 269,729 | - | - | - | - | - | - | 269,729 |
| | <u>4,441,341</u> | <u>6,463,826</u> | <u>3,092,924</u> | <u>10,918,994</u> | <u>165,500</u> | <u>2,566,544</u> | <u>360,830</u> | <u>28,009,959</u> |
| Expenses | | | | | | | | |
| Wages and benefits | 2,239,852 | 1,450,257 | 867,473 | 779,313 | 39,083 | 1,024,337 | 236,633 | 6,636,948 |
| Interest on long-term debt | 29,656 | - | 226,525 | 748,214 | - | 48,809 | - | 1,053,204 |
| Materials | 915,663 | 282,512 | 1,729,348 | 724,169 | 12,887 | 852,680 | 91,797 | 4,609,056 |
| Contracted services | 399,849 | 3,218,381 | - | 4,483,826 | 37,635 | 28,824 | 55,295 | 8,223,810 |
| Rents & financial expenses | 109,801 | 20,315 | 4,012 | - | - | 25,447 | 5,894 | 165,469 |
| Amortization | 119,837 | 256,587 | 5,310,109 | 2,354,346 | 12,370 | 431,094 | 397 | 8,484,740 |
| | <u>3,814,658</u> | <u>5,228,052</u> | <u>8,137,467</u> | <u>9,089,868</u> | <u>101,975</u> | <u>2,411,191</u> | <u>390,016</u> | <u>29,173,227</u> |
| Other | | | | | | | | |
| Deferred revenue earned | 30,879 | | 200,755 | | | 51,345 | 6,359 | 289,338 |
| Government transfers for capital projects | | | 2,363,282 | - | | | | 2,363,282 |
| Change in employee benefits | 972,650 | | | | | | | 972,650 |
| Gain on investment in UWSS | | | | 2,356,277 | | | | 2,356,277 |
| Contributed tangible capital assets | | | 31,200 | | | 99,700 | | 130,900 |
| Gain/(Loss) on sale of assets | | (94,506) | (117,469) | (5,258) | | 221 | | (217,012) |
| | <u>1,003,529</u> | <u>(94,506)</u> | <u>2,477,768</u> | <u>2,351,019</u> | <u>-</u> | <u>151,266</u> | <u>6,359</u> | <u>5,895,435</u> |
| Annual Surplus (Deficit) | <u>\$ 1,630,212</u> | <u>\$ 1,141,268</u> | <u>\$ (2,566,775)</u> | <u>\$ 4,180,145</u> | <u>\$ 63,525</u> | <u>\$ 306,619</u> | <u>\$ (22,827)</u> | <u>\$ 4,732,167</u> |